EDISON

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bet-at-home

Travel & leisure

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FY shortfall but cash pay-outs remain high

bet-at-home is a long-established sports betting brand, successfully cross-selling into gaming. FY17 revenues grew 4.8% to €145.4m, with an EBITDA of €35.5m, in line with guidance but lower than consensus of €146.4m and €37.3m respectively. Guidance for FY18 is also 8% and 13% below revenue and EBITDA consensus. Nonetheless, the company now has 4.8m customers and is well positioned to benefit from the 2018 FIFA World Cup. Largely due to regulatory concerns in Poland, the stock has fallen over 35% from its highs and now trades at 14.9x 2018e EV/EBITDA. This is still a premium to peers, but the 7.3% dividend yield for 2017 is very attractive.

Leading European sports-betting brand

bet-at-home's main markets (as reported in 2016) are Austria (24% of gross win), other western Europe (47%) and eastern Europe (28%). In FY17, the mix of gross gaming revenue (GGR) between sports and eGaming (casino, poker) was 44%/56%, demonstrating successful cross-selling into gaming. Some of its markets are fully regulated (eg UK), but formal licensing has not yet been introduced in many of its main markets, where it pays taxes and VAT as applicable and operates under its EU licence. As evidenced by the recent IP blocking in Poland (third-largest market), future earnings may be affected by new regulations, as well as rising taxes.

FY17: In line with guidance, but short of consensus

FY17 revenues grew 4.8% to €145.4m vs FY16 and EBITDA increased from €33.0m to €35.5m, helped by lower marketing spend in the period (€42.0m vs €44.0m in FY16). These results were in line with guidance, but lower than consensus estimates of €146.4m and €37.3m, with the shortfall predominately due to IP blocking measures in Poland, which impacted 2H. For 2018, management is guiding to €150m revenue and €36-40m EBITDA, which is lower than consensus of €163.6m and €43.9m. Nonetheless, the company has demonstrated its ability to retain customers, which grew from 4.6m to 4.8m, and it is well positioned ahead of the FIFA World Cup in Russia this summer.

Valuation: 14.9x 2018e EV/EBITDA

bet-at-home's shares have fallen over 35% from last year's highs, largely due to regulatory concerns in Poland. Using the midpoint of guidance, the stock trades at 14.9x FY18 EV/EBITDA, a premium to the peer group. However, its healthy cash position and 2017 dividend yield of 7.3% (payable in May) is very attractive.

Consensus estimates

Year end	Revenue (GGR) (€m)	EBITDA (€m)	EBIT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/14	107.0	26.7	25.8	3.66*	0.60	26.1	0.6
12/15	121.6	31.7	30.8	4.37*	2.25	21.8	2.4
12/16	138.7	33.0	31.9	4.42	7.50**	21.6	7.9
12/17	145.4	35.5	34.1	4.68	7.00	20.4	7.3
12/18e	163.6	43.9	42.7	5.69	4.52	16.8	4.7

Source: Bloomberg, Edison Investment Research. Note: *2014/15 restated for 1:1 bonus shares issued June 2016. **2016 dividend includes special dividend.

Price	€95.5
Market cap	€669m
	£/€: 1.099

Share price graph

Share details

Code	ACX
Listing	SDAX
Shares in issue	7.0m

Business description

Founded in 1999, bet-at-home is an online sports betting and gaming company with 311 employees. It is licensed in Malta and headquartered in Dusseldorf, Germany. bet-at-home has been part of Betclic Everest since 2009; a privately owned French online gaming and sports betting group.

Bull

- Strong brand name, 4.8m customers. It is well positioned ahead of the 2018 FIFA World Cup in Russia.
- Online gambling is a growing market, with a CAGR of 7% to 2021 (source: H2 Gambling Capital 2017).
- Liquid funds and securities of €101.8m and strong cash generation underpinning high dividend yield.

Bear

- Regulatory risks in major markets, largely in the form of increasing or new gaming taxes.
- Recent legislation in Poland includes punitive taxes for sports betting, as well as imposing a monopoly on e-gaming.
- Competitive markets and profits affected by high marketing spend.

Analysts

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QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

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